

Army Programs

Internal Review and Audit Compliance Program

**Headquarters
Department of the Army
Washington, DC
16 July 1989**

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SUMMARY of CHANGE

AR 11-7

Internal Review and Audit Compliance Program

This Revision--

- o Puts DA emphasis on the use of the Civilian Personnel Occupation Standard (para 1-4).
- o Outlines the organizational realignment of the field internal review function from the comptroller/resource manager to the commander, principal deputy commander or chief of staff (para 2-2).
- o Outlines the new organizational alignment at HQDA resulting from the implementation of the DOD reorganization Act of 1986 (para 2-2).
- o Stresses the importance of the auditable entity file in developing both manpower and audit requirements (para 2-6).
- o Outlines the new IMWRF nonappropriated fund audit concept (para 3-1).
- o Emphasizes the audit troubleshooting role, that is, quick-reaction unprogrammed audits (para 4-2).
- o Increases emphasis on the audit compliance and audit followup process (chap 5).

Effective 16 July 1989

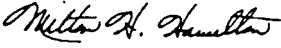
Army Programs

Internal Review and Audit Compliance Program

By Order of the Secretary of the Army:

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History. This UPDATE printing publishes a revision of this publication. Because the publication has been extensively revised, the changed portions have not been highlighted.

Summary. This regulation provides policy for the Internal Review and Audit Compliance Program within the Department of the Army. It also covers responsibilities, reporting requirements, and internal review policy

of major Army commands, installations and activities. This regulation implements DOD Directive 7600.2.

Applicability. This regulation applies to all Active Army, Army National Guard (ARNG), and U.S. Army Reserve (USAR) commands, installations, and activities where the establishment of internal review and audit compliance elements are authorized.

Proponent and exception authority. Not applicable

Army management control process. This regulation is subject to the requirements of AR 11-2. It contains internal control provisions but does not contain a checklist for conducting internal control reviews. The checklist is being developed and will be published at a later date.

Supplementation. Supplementation of this regulation and establishment of command or local forms are prohibited without prior approval from the HQDA (SAFM-ROR), WASH DC 20310-0103.

Interim changes. Interim changes to this

regulation are not official unless they are authenticated by the Administrative Assistant to the Secretary of the Army. Users will destroy interim changes on their expiration dates unless sooner superseded or rescinded.

Suggested Improvements. The proponent agency of this regulation is the Office of the Assistant Secretary of the Army. Users are invited to send comments and suggested improvements on DA Form 2028 (Recommended Changes to Publications and Blank Forms) directly to the Office of the Assistant Secretary of the Army (Financial Management), ATTN: SAFM-ROR, WASH, DC 20310-0103.

Distribution. Distribution of this publication is made in accordance with the requirements on DA Form 12-09-E, block number 3091, intended for command level D for Active Army, ARNG, and USAR.

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* This regulation supersedes AR 11-7, 1 December 1978.

RESERVED

Chapter 1 Introduction

1-1. Purpose

This regulation prescribes the policies, role, and responsibilities pertaining to the Internal Review and Audit Compliance (IRAC) Program within the Department of the Army.

1-2. References

a. Required publications. DOD Instruction (DODI) 7600.6, Audit of Nonappropriated Fund Instrumentalities and Related Activities. (Cited in para 3-1 *d.*)

b. Related publications.

- (1) AR 5-3, Installation Management and Organization.
- (2) AR 11-2, Internal Control Systems.
- (3) AR 36-2, Processing Internal and External Audit Reports and Followup on Findings and Recommendations.
- (4) AR 36-5, Auditing Service in the Department of the Army.
- (5) AR 36-7, Professional Audit Standards.
- (6) Army Internal Review and Audit Compliance Manual.
- (7) DOD Directive DODD 7650.3, Followup on General Accounting Office, DOD Inspector General, Internal Audit, and Internal Review Reports.
- (8) DOD 7600.7M, Internal Audit Manual
- (9) Comptroller General of the United States Government Auditing Standards. (For copies, write to HQDA (SAFM-ROR), WASH DC 20310-0103.

1-3. Explanation of abbreviations and terms

Abbreviations and terms used in this regulation are explained in the glossary.

1-4. Responsibilities

a. The Director of Review and Oversight, Office of the Assistant Secretary of the Army (Financial Management) (OASA(FM)) has Headquarters Department of the Army (HQDA) Staff responsibility for the Internal Review Program. The Assistant for Internal Review will coordinate and direct all activities involving the IRAC function.

b. The Assistant for Internal Review is responsible to the Director of Review and Oversight for the direct management of the IRAC Program and will—

- (1) Interpret and implement Comptroller General of the United States and DOD policy as it relates to IRAC.
 - (2) Implement Department of the Army (DA) audit policy established by The Auditor General.
 - (3) Develop IRAC policy.
 - (4) Participate with the Department of the Army Inspector General in the implementation of policies and procedures for processing external audit reports and followup on findings and recommendations.
 - (5) Monitor the execution of the IRAC Program at major Army commands (MACOMs), Army Staff agencies, and other selected organizations.
 - (6) Provide guidance and assistance to organizations reporting to HQDA.
 - (7) Oversee the IRAC auditors' training program and participate with The Auditor General in his role as the Deputy Functional Chief Representative.
 - (8) Advise commanders and activity heads on maintaining adequately staffed IRAC activities with an adequate grade structure.
- c.* The Inspector General of the Army will—
- (1) Prescribe policies and procedures for processing U.S. Army Audit Agency (USAAA) reports, external audit reports, and followup on findings and recommendations.
 - (2) Ensure the effective execution of the Army followup program.
 - (3) Monitor implementation of corrective actions to be taken by the responsible commands or HQDA elements on USAAA audits.
 - (4) Perform selective on-site followup to verify corrective actions taken.

(5) Make on-site visits on a selective basis to evaluate the effectiveness of MACOM and HQDA elements followup systems.

d. The Auditor General of the Army will—

- (1) Establish audit standards for all auditors in the Army.
 - (2) Prescribe professional training for all Army auditors, both USAAA and IRAC, as specified in a memorandum of agreement with the OASA(FM).
 - (3) Provide OASA(FM) WITH USAAA's audit guides.
 - (4) Periodically evaluate the effectiveness of the IRAC Program.
- e.* Heads of HQDA activities, major commanders, and their subordinate commanders, who have IRAC offices in their organizations, will—
- (1) Evaluate the effectiveness of their IRAC elements, to include responsiveness to command needs, the annual IRAC Plan, and ensure compliance with policies and procedures of the Internal Review Program.
 - (2) Ensure that IRAC elements are a separate staff element organizationally aligned with and reporting to the commander, principal deputy commander, or chief of staff of the command or activity, in accordance with AR 5-3.

(3) Implement policies and procedures prescribed in this regulation.

(4) Ensure that assigned IRAC personnel complete the professional audit training prescribed and sponsored by The Auditor General of the Army.

(5) Monitor and evaluate the adequacy of the audit followup and compliance efforts of both their own IRAC staffs and those of subordinate commands and activities.

(6) Provide support to subordinate or tenant organizations without IRAC capability.

(7) Ensure auditors at the direct operating level are working in accordance with the established Army Civilian Personnel Occupation Standard.

f. Commanders of installations and separate activities are responsible for conducting an effective and responsive IRAC Program. These commanders will—

- (1) Develop and execute an annual IRAC Plan.
- (2) Maintain an audit followup system for processing internal and external audit reports and providing audit liaison service to external audit organizations such as the General Accounting Office (GAO), Inspector General, Department of Defense (IG, DOD), or the USAAA as prescribed in AR 36-2 and AR 36-5.
- (3) Ensure through mutual support agreements, that IRAC services are provided to those tenants whose organizational structures do not provide for these functions.
- (4) Ensure that assigned IRAC personnel receive the professional training prescribed by The Auditor General of the Army.
- (5) Ensure auditors at the direct operating level are working in accordance with the established Army Civilian Personnel Occupation Standard.

g. The Internal Review Officer will—

- (1) Serve as the commander's principal advisor on all audit matters.
- (2) Direct, manage and execute the IRAC Program as prescribed by this regulation.
- (3) Prepare an annual IRAC Plan and measure actual accomplishment to ensure the audit staff is effectively utilized.
- (4) Develop a file of auditable entities to ensure that:
 - a.* Audit workload is properly identified and prioritized.
 - b.* Audit staffing requirements are determined.
 - c.* Adequate audit coverage is provided to all functional elements.
- (5) Ensure audit reports and audit working papers prepared by the IRAC auditors comply with:
 - a.* Government Auditing Standards as published by the Comptroller General of the United States.
 - b.* DOD Internal Audit Standards.
 - c.* Professional Audit Standards by the Auditor General of the Army.
- (6) Use the DOD 7600.7M and the Army Internal Review and

Audit Compliance Manual to manage and execute the internal review mission.

(7) Ensure proper career development of all assigned auditor personnel.

(8) Ensure each auditor receives professional audit training each year to meet the minimum requirements established by the DOD 7600.7M.

(9) Program and budget for the necessary training costs with required technical training receiving priority funding.

(10) Maintain an effective audit followup system for processing audit reports from the USAAA and external audit agencies as specified in AR 36-2.

(11) Be the principal official for liaison with external audit organizations. Be responsible for:

(a) Arranging entrance and exit conferences with external audit organizations and the appropriate organization officials.

(b) Monitoring all actions related to audits.

(c) Providing administrative support to external audit organizations (GAO; IG, DOD; USAAA.)

(d) Ensuring that accurate, adequate, responsive, and coordinated comments are provided to external audit findings and reports.

(12) Evaluate the effectiveness of the IRAC function at subordinate commands and agencies to ensure compliance with policies and procedures of the IRAC Program.

1-5. Staff relationships

The local IRAC office must function as a part of the commander's staff. IRAC should be an integral part of the command/installation management team along with The Inspector General, Resource Manager, and other Staff elements and should work closely with these elements to achieve a mutually complementary effort.

1-6. Internal review concept

a. IRAC elements are prescribed for most commands and activities in the Army and are comprised of professional auditors working directly for the commanders, principal deputy commanders or chiefs of staff.

b. The IRAC office will provide commanders with the following basic capability:

(1) Conduct internal audits of functions or organizational entities within the command which have known or suspected problems, determine the nature and cause of the problem, and develop recommendations to resolve them.

(2) Provide troubleshooting capabilities, which consist of quick reaction efforts, are normally unprogrammed, and geared to prevent serious problems from developing.

(3) Provide an audit compliance function by serving as the command point of contact with external audit groups by facilitating the audit reply and response process and by conducting audit followups and reporting on management actions to correct problems identified in internal and external audit reports.

Chapter 2

The Internal Review and Audit Compliance Program

2-1. Program objective

Commanders at all levels are responsible for the accomplishment of their mission and for the safeguarding, accounting, and proper use of the resources necessary for that mission accomplishment. The objective of the IRAC Program is to provide the commander or activity head a professional auditing service which assists the commanders in fulfilling their responsibilities.

2-2. Internal Review and Audit Compliance organization

The OASA(FM) has Army Staff responsibility for the IRAC function. The Assistant for Internal Review has direct oversight for the organization. The commander, principal deputy commander or chief of staff at all levels of command are responsible for the IRAC

function. IRAC offices will be a separate organizational entity maintaining visibility as a major subordinate element on the table of distribution and allowance (TDA), organizationally aligned with and reporting to the commander, principal deputy commander, or chief of staff.

2-3. Audit policy

Internal review personnel will follow the auditing standards promulgated by the Comptroller General of the United States and supplemented by audit standards and procedures prescribed by the IG, DOD and The Auditor General of the Army. The standards are explained in the GAO publication, Government Auditing Standards, the DOD 7600.7M, and AR 36-7. Chiefs of IRAC offices are responsible for ensuring that the audit standards are followed by the internal review staff.

2-4. DOD audit policy

The IG, DOD established internal review policy in DOD 7600.7M. The DOD 7600.7M provides general guidance on the standards and policies to be followed by DOD internal auditors in the performance of their audit mission, and prescribes procedures to ensure uniformity of implementation.

2-5. Army Internal Review and Audit Compliance Manual

This manual supplements the DOD 7600.7M and provides more specific guidance for managing and executing the IRAC Program. All IRAC personnel will follow the procedures and guidelines outlined in the manual when performing management duties and when providing internal review and audit compliance services.

2-6. Staffing

a. Internal review functions should be adequately resourced. The required, authorized and actual resources should be commensurate with assigned responsibilities. Each Internal Review office should maintain its own auditable entity file which serves as a universe of audit workload, a risk analysis of each auditable entity, a short and long range planning tool, a justification for manpower/resources, a history of audit activity, and an audit survey of past problems.

b. The internal review staff will be composed of professionally qualified auditors in the 511-series. At the discretion of the command, temporary augmentation by military and/or civilian functional experts, under the supervision of the chief of the IRAC office, is authorized on an "as required" basis. In exercising their discretion to temporarily augment internal review staffs under this paragraph, commanders will ensure compliance with this regulation.

2-7. Training

The Auditor General of the Army, with OASA(FM), will prescribe the technical audit training for internal review auditors. A principal source of training for internal review personnel will be from training programs sponsored by The Auditor General and HQDA. These programs are intended to provide uniform auditor training and expand individual qualifications to enable maximum utilization of auditor resources. Commanders should encourage active participation in these training programs, including courses available from other sources, and actively support assigned personnel by programming and budgeting training costs. Proper training of internal review personnel is essential to maintain the skills and knowledge required in the auditing profession.

2-8. Audit scope

Audits performed by an IRAC office are to be in compliance with the Comptroller General Standards. The scope of an audit can encompass all aspects of management and management controls and all programs, functions, transactions, records and documents. An audit may include all or any combination of the following elements:

a. Performance audits include economy and efficiency and program audits.

(1) Economy and efficiency audits determine—

(a) Whether the entity is managing and utilizing its resources

(such as personnel, property, and space) economically and efficiently.

(b) The causes of inefficiencies or uneconomical practices.

(c) Whether the entity has complied with laws and regulations concerning matters of economy and efficiency.

(2) Program audits determine—

(a) The extent to which the desired results or benefits established by command or other higher authority body are being achieved.

(b) The effectiveness of organizations, programs, activities, or functions.

(c) Whether the entity has complied with laws and regulations applicable to the program.

b. Financial audits determine—

(1) If the financial statements of an audited entity present fairly the financial position and the results of operations in accordance with generally accepted accounting principles and applicable Army regulations.

(2) Whether the entity has complied with laws and regulations that may have a material effect upon the financial statements.

c. In addition, an IRAC office will provide audit compliance services which includes the following:

(1) Focal point for all external audit activity.

(2) Processing external findings and audit reports.

(3) Negotiating audit results with management and external auditors.

(4) Audit followup.

(5) Audit trend analysis.

2-9. Policy relationships

There are several organizations external and internal to the Army whose operations affect internal review operations and with whom liaison is maintained. The most common organizations are as follows:

a. *U.S. General Accounting Office (GAO)*. The GAO is an element of the legislative branch of the U.S. Government, and performs audits and surveys of governmental organizations or functions as directed by the Congress.

b. *Inspector General, Department of Defense (IG, DOD)*. The IG, DOD performs audits within the Department of Defense (DOD). The IG, DOD may initiate, conduct and supervise such audits in the DOD as the Inspector General considers appropriate.

c. *U.S. Army Audit Agency (USAAA)*. The USAAA is the DA's central internal audit organization operating under The Auditor General of the Army.

d. *Office of The Inspector General (OTIG)*. The OTIG provides DA with a continuing assessment of the command, operational, logistical, and administrative effectiveness of the Army. Detailed responsibilities of the OTIG in relationship to audit compliance within DA are contained in AR 20-1 and AR 36-2.

2-10. Guidance

a. Cyclic audits of appropriated fund functions or activities will not be programed in the annual internal review plan.

b. Internal review personnel will not be used to make regularly scheduled audits of Nonappropriated Fund Instrumentalities (NAFIs) having a cash basis single entry system of accounts. These funds normally will be audited by disinterested officers. Internal review personnel will not be used to perform periodic or cyclical audits of private organizations, e.g., Type 1 (Federally Sanctioned)—Army Emergency Relief, Type 2 (Affiliated)—PTA, and Type 3 (Independent)—Thrift Shops. However, internal review may be called upon when there are clear indications of fraud or misappropriation of funds or other assets, or when warranted by the volume and complexity of transactions.

c. Internal review auditors will not make annual audits of unit funds. These funds normally will be audited by disinterested officers. If serious deficiencies are noted to warrant an audit, the commander should have the internal review staff make the audit.

d. Internal Review is responsible for monitoring disinterested officer audits of NAFIs and similar funds classified as Government

instrumentalities. This requirement includes providing guidance regarding conduct of the audit, reviewing and retaining the workpapers.

e. Internal review auditors will not serve in operational roles outside of the Internal Review program. The auditor may serve in an advisory role for command programs, e.g., establishment of automated systems, Source Selection Evaluation Boards (SSEB), or implementation of the Internal Control Program, as long as audit independence is maintained. The commander of the command or activity to which the internal review auditor is assigned will determine, in accordance with Comptroller General of the United States Government Auditing Standards, whether the performance of particular advisory duties is consistent with the requirement to preserve auditors' independence.

Chapter 3

Annual Internal Review and Audit Compliance Plan

3-1. Requirements

a. All IRAC offices will prepare an Annual IRAC Plan containing the workload scheduled to be performed during a specific calendar year. The plan should ensure that auditor resources are used effectively and efficiently; coverage of high risk, high payback mission areas is maximized; and adequate coverage is provided to all functional elements with known or suspected problems, to include the potential risk each element presents to successful mission accomplishment and optimal resource use.

b. Plans should concentrate on areas of concern to the commander. Although plan emphasis should, in most cases, be on mission-type functions, commanders may use internal review resources in any troubleshooting role consistent with the concept and policies outlined in this regulation.

c. The key to an effective annual plan is that it be flexible and balanced. It must be flexible to meet changing priorities and needs as the execution of the plan develops; it must be balanced to intelligently address the IRAC functions of audit, troubleshooting, audit followup, and audit liaison. Balanced coverage, however, does not mean programming audit time equally among these functions. The Chief, IRAC must ensure that the annual plan is a dynamic tool that represents the anticipated workload of the office consistent with the risks of functions and activities contained in the organization's auditable entity file. If in a given year external audit activity were to be high, sufficient audit liaison time would have to be programmed to cover that activity. In a year following a high level of audit activity, external or internal, sufficient time for audit followup would have to be programmed. And, audits included in the annual plan must concentrate on areas where the most benefit to command can be anticipated. Flexibility and balance are essential to the effective use of IRAC resources and the effective support of all command requirements.

d. NAFIs and related activities will compete for audit coverage with appropriated fund activities on an equal basis at the discretion of the local commander, subject to this regulation. In addition, NAFIs may be audited on a functional basis as a result of guides prepared by Internal Review or USAAA for the audit of the Installation Morale, Welfare and Recreation Fund (IMWRF). These audits are programmed as a result of the Joint Installation Morale, Welfare and Recreation Fund Oversight Committee which is comprised of both Community and Family Support Center and audit personnel. Information on functional audits selected for review during a specific calendar year will be provided to the MACOMs for inclusion in the annual IRAC plan.

e. Each IRAC office should follow specific guidelines and procedures outlined in the Army Internal Review and Audit Compliance Manual for the development and staffing of the annual IRAC plan.

3-2. Guidance on Annual Internal Review and Audit Compliance Plan

a. Input for the Annual IRAC Plan should be considered from the following sources:

(1) The auditable entity file maintained by each IRAC activity. The file should identify organizations, programs, activities, and functions subject to audit. Each IRAC organization should review its inventory of auditable entities annually and determine the coverage, frequency, and priority required for each item in the inventory. The auditable entity file, when properly developed, can be useful for planning, allocating resources, and answering inquiries from external sources concerning past, current, and planned audit coverage.

(2) The solicitation of known or potential problems from the functional managers within each activity or agency served by an IRAC organization, to include a summary of the problems, suggested timeframe for internal review evaluation, and recommended priority.

(3) Followup reviews to determine the status of corrective actions taken as a result of internal review reports and reports issued by external audit agencies.

(4) Deferred audits from the prior year when a valid requirement still exists.

(5) The published annual audit schedule of the USAAA to preclude duplication.

(6) Audit trends published by GAO, IG, DOD and USAAA, and the Office of The Inspector General which highlight problem areas.

b. The annual IRAC Plan will be prepared prior to the beginning of each calendar year. MACOMs and Army Staff agencies will prepare an annual plan. All other internal review elements will prepare an annual plan and revise it to add or delete projects and to adjust priorities as circumstances warrant. Plan content, format, and frequency of revision will be based on local needs consistent with the policy of the next higher headquarters. As a minimum, reviews will be listed by functional area and prioritized, indicate auditor-day requirements by quarter and provide the rationale for conducting the reviews. All available auditor staff-days should be programmed. Deferred reviews should be programmed in the following year when a valid requirement still exists. The deferred audits should also be prioritized indicating those which will be accomplished first if audit resources become available.

c. The proposed annual IRAC plan will be approved by the commander.

(1) MACOM commanders may delegate approval authority to the principal deputy commander or chief of staff.

(2) Heads of HQDA Staff agencies may delegate approval authority to the deputy head of the agency.

d. Copies of the approved annual plan will be submitted to the next higher headquarters.

e. The MACOMs and applicable HQDA Staff agencies will forward an information copy of their command level approved annual plan by 20 January to the HQDA (SAFM-ROR), WASH DC 20310-0103.

Chapter 4 Audit practices

4-1. Performing internal audits

a. An entrance conference with operating officials will be held prior to beginning the review to explain the purpose, scope, and estimated duration of the review. The scope of the audits normally includes a determination of the effectiveness of operations, determination of compliance with established policies and procedures, the reliability of records and reports, the validity of supporting documentation as these matters affect known or suspected problems and the implementation of the Internal Control Program.

b. Each audit will normally be preceded by a survey phase to permit the auditors to become familiar with the organization and functions of the activity under review, governing directives and

procedures, current problems, and to determine the adequacy and effectiveness of the existing system of internal controls. An effective survey should provide the basis for directing audit effort toward accomplishing the review objectives.

c. Prior to beginning the audit, coordination with other organizational elements; that is, Inspector General, Criminal Investigation Command, and external audit agencies, should be made to exchange information, avoid duplication of effort, and ensure maximum audit coverage.

d. An audit guide is normally developed after the survey phase is completed and always before the verification phase begins. A written audit guide, listing the objectives and specific audit steps, helps achieve an organized approach, promotes coverage by ensuring that all necessary verification or procedural tests are included, and assists auditors and supervisors in evaluating progress.

e. Operating personnel should be kept fully informed as the audit progresses and given the opportunity to comment on findings as they are developed. Exceptions to this policy are authorized in instances where possible fraud, misappropriation of funds or resources, suspected criminal action, or other requirements for confidentiality are indicated. When auditors become aware that fraud or illegal acts may exist, they will promptly coordinate such matters with appropriate Army investigative agencies in accordance with applicable service directives.

f. An exit conference will be held with responsible operating officials. The exit conference is to ensure the accuracy of the reported information.

g. Reports will be prepared following the appropriate standards set forth in AR 36-7. Report formats will be prescribed by the MACOMs and Army Staff agencies. Reports should be clear and concise, accurate and complete, and contain constructive recommendations which will eliminate the cause of the problems noted. Monetary benefits derived from an internal audit will be reported and fully discussed with command personnel.

h. The final report with comments from responsible operating officials will be forwarded to the local commander for review and disposition.

4-2. Troubleshooting

Troubleshooting can be defined as quick reaction audits, based on a management request, which are normally unprogrammed and are geared to prevent serious problems from developing. Management may request audit service from an IRAC office that is not formally available to them during regularly scheduled audits, and may also request only limited distribution of the audit report and deviation from the normal consideration for acceptance. The commander approves any change in the annual audit plan that may result from acceptance of a quick reaction audit request. The Chief, Internal Review retains the right to issue the audit report requiring normal followup and distribution if considered appropriate (e.g., severity of the problem, scope of the problem, potential sensitivity of the problem relative to command and/or community relations.)

Chapter 5 Audit compliance services

5-1. Liaison

The IRAC activity is the focal point for monitoring all actions related to audits, surveys, and reviews performed by the USAAA and external audit agencies such as GAO; the IG, DOD; and commercial audit firms. IRAC offices are normally apprised of the audit objectives, operating plan, time schedules, and support requirements at the onset of the audit. This information will be passed promptly to the commander and to those senior managers whose operations may be audited. Liaison will include the following:

a. Coordinating dates, times, and locations for the entrance and exit conferences.

b. Determining the points of contact within the various activities and functional areas.

- c. Providing administrative support, if necessary, to the external audit representatives.
- d. Providing advice to the command group and operating managers on the release of information.
- e. Maintaining pertinent records; that is, dates and attendees at conferences or in-process reviews.
- f. Keeping the installation or activity commander fully informed on the status of the ongoing audit.
- g. Processing Tentative Findings and Recommendations (TFARs), Findings and Recommendations (FARs), draft reports, and final reports.
- h. Negotiating audit results between management and external auditors.
- i. Ensuring that command replies to TFARs, FARs, and reports are reviewed for accuracy, adequacy, responsiveness, have been properly coordinated with the responsible command elements and meet assigned suspense dates.

5-2. Followup on findings and recommendations

- a. The primary objective of the audit followup process is to determine whether agreed-to audit findings and recommendations have been translated into management actions that will correct identified problems. Followup means the effort involved in monitoring, reporting, evaluating, and verifying corrective actions taken as the result of an audit. The followup function is an important element within an IRAC office.
- b. MACOMs and Army Staff agencies, during scheduled evaluations of audit operations, will—
 - (1) Evaluate the effectiveness of followups performed by subordinate installations and activities.
 - (2) Ensure that assistance visit checklists include steps to determine the compliance of subordinate internal review offices with audit followup procedures and responsibilities.
 - (3) Establish controls that ensure recommendations made to correct significant deficiencies in the followup system of subordinate activities are tracked until corrected.

5-3. Followup system

- a. IRAC offices will establish a followup system to control, monitor, and report on corrective actions pertaining to findings and recommendations. The followup system must provide a method for tracking the implementation of corrective actions until fully completed, reporting the status of these actions, to include monetary benefits, to higher management levels, and verifying corrective actions.
- b. The IRAC office as the focal point will maintain records of FARs to include the following:
 - (1) Significant milestone dates.
 - (2) Command's position on FARs and monetary benefits, to include the auditor's estimate, the amount agreed to by management, and the savings actually realized.
 - (3) The final position on FARs and monetary benefits resulting from the resolution of disagreements.
 - (4) The office designated to implement the corrective action.
 - (5) Corrective actions completed or planned.
- c. Provide the commander with periodic reports on the status of corrective actions, highlighting those actions not taken or delayed. Additional command emphasis can then be applied to ensure that the required corrective actions are taken.

5-4. Followup Status Report

Semiannually, all internal review offices are required to submit to their next higher headquarters a report on the status of all USAAA, Internal Review, and commercial audit reports. AR 36-2 contains guidance on preparing the semiannual Followup Status Report.

Glossary

Section I Abbreviations

DOD

Department of Defense

FAR

Findings and Recommendations

GAO

U.S. General Accounting Office

HQDA

Headquarters, Department of the Army

IG, DOD

Inspector General, Department of Defense

IMWRF

Installation Morale, Welfare and Recreation
Fund

IRAC

Internal Review and Audit Compliance

MACOM

major Army command

NAFI

Nonappropriated Fund Instrumentalities

OASA(FM)

Office of the Assistant Secretary of the Army
(Financial Management)

OTIG

Office of The Inspector General

SSEB

Source Selection Evaluation Board

TDA

table of distribution and allowances

TFAR

Tentative Findings and Recommendations

USAAA

U.S. Army Audit Agency

Section II Terms

Chief, Internal Review and Audit Compliance

The individual responsible for the Internal
Review and Audit Compliance function at an
installation or activity

Section III

Special Abbreviations and Terms

There is no special terms.

Unclassified

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